

Department of Social and Health Services

DP Code/Title: M2-5S IRS Intercept Program Costs

Program Level - 060 Economic Services Admin

Budget Period: 2001-03 Version: F3 060 2001-03 2003 Sup Agency Req

Recommendation Summary Text:

Federal regulations require the state's Child Support Enforcement program participate in the federal Internal Revenue Service (IRS) Tax Intercept program. The cost per intercept has increased from \$6.80 in 1998 to \$11.65 in 2002. This represents approximately a 71 percent increase in costs in four years. In addition, the number of intercepts has increased approximately 32 percent during the same period.

Fiscal Detail:

Operating Expenditures

	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Overall Funding			
001-1 General Fund - Basic Account-State	0	100,000	100,000
001-A General Fund - Basic Account-DSHS Fam Support/Chi	0	193,000	193,000
Total Cost	0	293,000	293,000

Staffing

Package Description:

Federal regulations require the state's Child Support Enforcement program participate in the federal IRS Tax Intercept program. Participation in the intercept program has made it possible for the Division of Child Support (DCS) to collect an average of \$34 million per year in additional child support, however, the IRS charges DCS for each intercept.

The cost per intercept has increased from \$6.80 in 1998 to \$11.65 in 2002. This represents approximately a 71 percent increase in costs in four years. In addition, the number of intercepts has increased over 32 percent during the same period. This percent is net of the increased number of intercepts received in Fiscal Year 2002 as a result of the additional tax rebates authorized by the President.

Narrative Justification and Impact Statement

How contributes to strategic plan:

Performance Measure Detail

Goal: 09Z A safety net is in place for people in need.

No measures submitted for package

Incremental Changes

FY 1 FY 2

Goal: 10Z DSHS services help children experience stable lives.

No measures submitted for package

Incremental Changes

FY 1 FY 2

Goal: 12Z Services prevent future client needs.

No measures submitted for package

Incremental Changes

FY 1 FY 2

Goal: 21Z Services reduce future costs to society.

No measures submitted for package

Incremental Changes

FY 1 FY 2

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Goal: 02A Safeguard and improve the well-being of children.

No measures submitted for package

Incremental Changes

FY 1

FY 2

Goal: 02F Maintain safety net for people in need.

No measures submitted for package

Incremental Changes

FY 1

FY 2

Reason for change:

This proposal is requested to allow DCS to continue to participate in the Tax Intercept program.

Impact on clients and services:

The resources requested are directly related to increased costs and increased number of offsets. Costs have increased by approximately 71 percent over a four-year period. The number of intercepts has increased over 32 percent during the same period.

Funding this request will allow DCS staff to focus efforts on hard-to-collect, non-custodial parent locate activities, enforcement of medical requirements and direct technical assistance to the custodial parents. These services increase collections, which benefit children, as well as the state through retained support payments.

Impact on other state programs:

This proposal will allow continued participation in the IRS intercept program without impacting current service delivery. Uninterrupted service delivery will allow DCS to focus on collections thereby increasing the collection of retained support. The collection of retained support, by DCS, indirectly impacts all programs within the agency. These collections offset General Fund-State (GF-S) expenditures within the Title IV-A program. The greater the offset, the less reliance ESA has on direct GF-S revenues, thereby "freeing-up" monies in other programs.

Relationship to capital budget:

None

Required changes to existing RCW, WAC, contract, or plan:

None

Alternatives explored by agency:

This is a fully automated process and is mandated by the federal government. The only alternative would be to reduce staff to fund the over expenditure. A reduction in staff could negatively impact the collection and distribution of child support payments.

Budget impacts in future biennia:

This is an ongoing program. Accordingly, all costs noted would continue into future biennia.

Distinction between one-time and ongoing costs:

All costs are ongoing.

Effects of non-funding:

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If funds are not provided, DCS would be required to consider expenditure reduction strategies, which could include reduction of staff. This could negatively impact the collection and distribution of child support payments.

Expenditure Calculations and Assumptions:

Est. Cal. Year 2002 Costs (\$11.65 x 45,000): \$ 524,250
Actual Calendar Year 1998 Costs: \$(230,969)

Increase in Annual costs: Total \$ 293,281

Fiscal Year	Number of Offsets	Cost Per Offset
1998	33,966	6.80
1999	37,272	7.45
2000	36,308	8.10
2001	41,666	10.20
2002	45,000(*)	11.65

(*) Projected offsets for process year 2002.

<u>Object Detail</u>	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Overall Funding			
E Goods And Services	0	293,000	293,000

DSHS Source Code Detail

Overall Funding	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Fund 001-1, General Fund - Basic Account-State			
<u>Sources</u> <u>Title</u>			
0011 General Fund State	0	100,000	100,000
Total for Fund 001-1	0	100,000	100,000
Fund 001-A, General Fund - Basic Account-DSHS Fam Support/Chi			
<u>Sources</u> <u>Title</u>			
563I Title IV-D Child Support Enforcement (A) (66%)	0	193,000	193,000
Total for Fund 001-A	0	193,000	193,000
Total Overall Funding	0	293,000	293,000